

**AUDITED FINANCIAL STATEMENTS
REQUIRED SUPPLEMENTAL INFORMATION
OTHER FINANCIAL INFORMATION
AND SUPPLEMENTAL REPORTS**

**TOWNSHIP OF WAKEFIELD
WAKEFIELD, MICHIGAN**

March 31, 2005

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name TOWNSHIP OF WAKEFIELD	County GOGEBIC
Audit Date MARCH 31, 2005	Opinion Date JULY 20, 2005	Date Accountant Report Submitted to State: SEPTEMBER 22, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

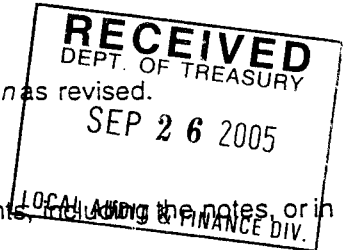
You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ yes ☐ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ yes ☐ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) JOKI, MAKELA & POLLACK, P.L.L.C.			
Street Address 301 N. SUFFOLK ST.	City IRONWOOD	State MI	ZIP 49938
Accountant Signature <i>Karl T. Ahl</i> CPA			



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JOKI, MAKELA & POLLACK, P.L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
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IRONWOOD, MICHIGAN 49938-2027

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INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Wakefield
Wakefield, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Wakefield and its fund financial statements as of and for the year ended March 31, 2005, which collectively comprise the basic financial statements of Township of Wakefield, as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Township of Wakefield as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 20, 2005, on our consideration of Township of Wakefield's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

As described in Note A, the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, as amended and interpreted, as of March 31, 2005.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and pages 39 and 40, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Wakefield's basic financial statements. The accompanying Other Financial Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, it is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 20, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

TOWNSHIP OF WAKEFIELD

Year ended March 31, 2005

Management's Discussion and Analysis

This section of the Township of Wakefield's (Township) annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments*, as amended and interpreted, and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available but will be provided in subsequent years for comparative purposes.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual method of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities except the fiduciary funds. All current year revenues and expenses are reported in the statement of activities. The two statements report the governmental and business-type activities of the Township that include all services performed by the Township. These activities are funded primarily by property taxes, charges for services and by federal and state grants.

The statement of net assets reports the Township's assets and liabilities. The corresponding balance between the assets and liabilities equals the net assets (deficit) of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the financial position of the Township generally is. It helps management determine if the Township will be able to fund current obligations and whether they have resources available for future use.

The statement of activities shows the current year change in net assets on a revenue less expense basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Fund Financial Statements

The Township's fund financial statements show a detail of funds that are determined to be significant, called major funds. The funds that are separately stated as major funds are the General Fund, Special Revenue Fund and Water Fund. The Capital Project fund is a nonmajor fund.

Governmental funds are accounted for by the modified accrual method of accounting (flow of current financial resources measurement focus). This method records revenues when all applicable eligibility requirements are met and resources are available to finance expenditures of the fiscal period. Expenditures are recorded when the related liability is incurred. The governmental fund financial statements show the detail of operations for a given year according to this method of accounting. This is similar to how the Township reported their finances in the past. The individual fund statements help management determine what financial resources are available on a short-term basis to fund operations.

Since the government-wide financial statements and the fund financial statements use different methods of accounting to report the Township's financial condition, a reconciliation is included in the financial statements showing the differences between the two types of statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail for major enterprise funds.

Fiduciary funds are reported in the fiduciary fund financial statement, but are excluded from the government-wide reporting. The fiduciary fund financial statement reports resources that are not available to fund Township programs. The fiduciary fund financial statement reports similarly to governmental funds. Fiduciary funds include the Trust and Agency Fund and the Tax Collection Fund.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets

The following is a condensed statement of net assets with a detailed analysis of the statement below as of March 31, 2005.

	Governmental Activities	Business-Type Activities
ASSETS		
Current Assets:		
Cash	\$ 184,260	\$ 28,877
Investments	119,211	
Receivables	29,550	21,516
Due from other funds	9,161	
Prepaid expenses	<u>4,404</u>	
Total Current Assets	\$ 346,586	\$ 50,393
Noncurrent Assets:		
Due from other funds	\$ 48,000	
Capital assets, net of accumulated depreciation	<u>929,347</u>	
	<u>\$ 977,347</u>	
Total Assets	<u>\$ 1,323,933</u>	<u>\$ 50,393</u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 4,567	\$ 5,856
Due other funds		4,000
Other current liabilities	<u>8,874</u>	<u>287</u>
Total Current Liabilities	\$ 13,441	\$ 10,143
Long-term liabilities, net of current portion	<u>548,997</u>	<u>48,000</u>
Total Liabilities	<u>\$ 562,438</u>	<u>\$ 58,143</u>
NET ASSETS (DEFICIT)		
Investment in capital assets, net of related debt	\$ 375,596	
Unrestricted	<u>385,899</u>	<u>\$ (7,750)</u>
Total Net Assets (Deficit)	<u>\$ 761,495</u>	<u>\$ (7,750)</u>

The Township's total net assets are \$753,745 at March 31, 2005. Capital assets, net of related debt are \$375,596. This figure is derived by taking the original cost of the Township's assets, subtracting accumulated depreciation to date and comparing this figure to the amount of long-term debt used to finance the acquisition of those assets.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Government-wide Financial Statements – Condensed Financial Information

Statement of Net Assets (Continued)

The total unrestricted net assets are \$378,149 as of March 31, 2005. This is the net accumulated result of the current and past years' operations. The nature of the Township's operations is based on property taxes, charges for services, state aid, federal grants and local funds received to fund various programs. The balance in the unrestricted net assets shows that the Township has an ample amount of assets to fund liabilities at March 31, 2005.

The Water fund reports a deficit of \$7,750 at March 31, 2005. The Township has implemented a deficit elimination plan with the State of Michigan and have reduced this deficit during the current year by \$17,785.

Statement of Activities

The results of operations for the Township as a whole are reported in the statement of activities. This statement reports the changes in net assets for the fiscal year ended March 31, 2005. Since this is the first year the Township has prepared financial statements following GASB Statement No. 34, revenue and expense comparisons to the previous year are not made.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Revenue:		
Program Revenues:		
Charges for services	\$ 5,707	\$ 65,964
Operating grants and contributions	2,761	
Capital grants and contributions	1,000	
General Revenues:		
Property Taxes	147,660	
State and federal grants	34,425	
Other	<u>4,595</u>	<u>240</u>
Total Revenue	<u>\$ 196,148</u>	<u>\$ 66,204</u>
Program expenses:		
Governmental activities	\$ 274,273	
Business-type activities	<u></u>	<u>\$ 48,419</u>
Increase (Decrease) in Net Assets	<u>\$ (78,125)</u>	<u>\$ 17,785</u>

The Township had an overall decrease in net assets of \$60,340 for the year ended March 31, 2005, consisting of a decrease in governmental activities of \$78,125 and an increase in business-type activities of \$17,785. Depreciation expense of \$51,370 was charged to governmental activities for the year.

Statement of Activities (Continued)

The Township's total revenues totaled \$262,352.

The Township's total cost to fund governmental activities was \$274,273, and business-type activities was \$48,419. A majority of these costs were funded by property taxes, charges for services and state grants. This shows the Township has reliance on property taxes and grants to provide future funding for its programs and administrative costs.

Governmental Fund Budgetary Items

During the year, the Township revised its original General Fund budget several times to account for changes in expenditures needed. A schedule showing the Township's original budget, final budget and the actual results are included as required supplementary information in the financial section of the audit report.

Capital Assets

At March 31, 2005, the Township had \$929,347 invested in capital assets, net of accumulated depreciation. Township officials took an inventory during the year of all capital assets meeting the Township capitalization policy. Assets were capitalized at historical cost if available or at insurable values if historical cost was not available. Governmental activities reported a cost of \$1,464,164 at March 31, 2004 with accumulated depreciation determined to be \$504,294. Governmental activities reported additions of \$20,847 and depreciation charges of \$51,370 during the current year. The business-type activities include infrastructure costs of \$689,000 with corresponding accumulated depreciation of \$689,000. Township officials determined this based on the age of the water system and a tentative plan to update the system in the coming years.

Debt

The Township had \$548,997 of long-term liabilities at March 31, 2005. This amount consists of various notes payable related to economic development projects with the State of Michigan and other local non-profit and governmental agencies. Detail of the notes can be found in Note G to the financial statements.

Future Considerations

The change in state aid payments along with State budget cuts will impact the financial condition of the Township. The Township has adopted a budget for the upcoming fiscal year that should not over expend it's funding and leave the Township with a positive Fund Balance. The Township has made several changes to reduce expenditures such as dropping employee health insurance coverage and obtaining a new contractor for garbage collection. In addition, the Water Fund has executed a promissory note to reimburse the General Fund for prior year advances. Continuing efforts are being made at obtaining grant and loan financing for a water system improvement project.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Contacting the Township

If you have any questions about this report or need additional information, contact the Township offices at Township of Wakefield, P.O. Box 164, Wakefield, MI 49968; telephone number (906) 224-8551 or our website at www.wakefieldtownship.com.

BASIC
FINANCIAL
STATEMENTS

STATEMENT OF NET ASSETS
TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2005

	Governmental Activities	Business-Type Activities
ASSETS		
Current Assets:		
Cash	\$ 184,260	\$ 28,877
Investments	119,211	
Receivables:		
Delinquent property taxes	6,300	
Accounts	23,250	21,516
Due from other funds	9,161	
Prepaid expenses	<u>4,404</u>	
Total Current Assets	\$ 346,586	\$ 50,393
Noncurrent Assets:		
Due from other funds	\$ 48,000	
Capital assets, net	<u>929,347</u>	
	<u>\$ 977,347</u>	
Total Assets	<u>\$ 1,323,933</u>	<u>\$ 50,393</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 4,567	\$ 5,856
Accrued wages and payroll taxes	4,120	287
Accrued interest	4,754	
Due other funds		<u>4,000</u>
Total Current Liabilities	\$ 13,441	\$ 10,143
Long-term liabilities	<u>548,997</u>	<u>48,000</u>
Total Liabilities	<u>\$ 562,438</u>	<u>\$ 58,143</u>
NET ASSETS (DEFICIT)		
Invested in capital assets, net of related debt	\$ 375,596	
Unrestricted	<u>385,899</u>	<u>\$ (7,750)</u>
Total Net Assets (Deficit)	<u>\$ 761,495</u>	<u>\$ (7,750)</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT
TOWNSHIP OF
Year ended

			<u>Program Revenues</u>	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
Legislative	\$ 9,502			
General government	69,154	\$ 3,477	\$ 2,761	\$ 1,000
Public safety	11,482	2,230		
Public works	65,489			
Parks and recreation	3,350			
Economic development	62,962			
Other functions	51,239			
Depreciation - unallocated	<u>1,095</u>			
Total Governmental Activities	\$ 274,273	\$ 5,707	\$ 2,761	\$ 1,000
Business-type activities - Water fund	<u>48,419</u>	<u>65,964</u>		
Total	<u>\$ 322,692</u>	<u>\$ 71,671</u>	<u>\$ 2,761</u>	<u>\$ 1,000</u>

General revenues:

 Taxes
 State and federal grants
 Interest and rents

Total General Revenues

Change in Net Assets

Net assets (deficit) at April 1, 2004

Net assets (deficit) at March 31, 2005

The accompanying notes are an integral part of the financial statements.

OF ACTIVITIES

WAKEFIELD, MICHIGAN

March 31, 2005

<u>Net (Expense) Revenue and</u> <u>Changes in Net Assets</u>		
Governmental	Business-type	
Activities	Activities	Total
\$ (9,502)		\$ (9,502)
(61,916)		(61,916)
(9,252)		(9,252)
(65,489)		(65,489)
(3,350)		(3,350)
(62,962)		(62,962)
(51,239)		(51,239)
<u>(1,095)</u>		<u>(1,095)</u>
\$ (264,805)		\$ (264,805)
	\$ 17,545	
\$ (264,805)	\$ 17,545	\$ (247,260)
\$ 147,660		\$ 147,660
34,425		34,425
<u>4,595</u>	\$ 240	<u>4,835</u>
\$ 186,680	\$ 240	\$ 186,920
\$ (78,125)	\$ 17,785	\$ (60,340)
<u>839,620</u>	<u>(25,535)</u>	<u>814,085</u>
\$ 761,495	\$ (7,750)	\$ 753,745

BALANCE SHEET - GOVERNMENTAL FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2005

	General	Special Revenue	Capital Project	Totals Governmental Funds
ASSETS				
Cash	\$ 127,966	\$ 38,163	\$ 18,131	\$ 184,260
Investments	119,211			119,211
Receivables:				
Delinquent property taxes	6,300			6,300
Accounts	23,250			23,250
Due from other funds	57,161			57,161
Prepaid expenses	<u>4,404</u>			<u>4,404</u>
	<u>\$ 338,292</u>	<u>\$ 38,163</u>	<u>\$ 18,131</u>	<u>\$ 394,586</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Accounts payable	\$ 4,439	\$ 128		\$ 4,567
Accrued wages and payroll taxes	<u>4,120</u>			<u>4,120</u>
Total Liabilities	\$ 8,559	\$ 128	\$ 0	\$ 8,687
Fund equity:				
Fund balances:				
Reserved:				
For prepaid expenses	\$ 4,404			\$ 4,404
For long-term receivable	52,000			52,000
For construction			\$ 18,131	18,131
Designated by board	135,000			135,000
Unreserved	<u>138,329</u>	<u>\$ 38,035</u>		<u>176,364</u>
Total Fund Equity	<u>\$ 329,733</u>	<u>\$ 38,035</u>	<u>\$ 18,131</u>	<u>\$ 385,899</u>
	<u>\$ 338,292</u>	<u>\$ 38,163</u>	<u>\$ 18,131</u>	<u>\$ 394,586</u>

The accompanying notes are an integral part of the
financial statements

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET ASSETS
TOWNSHIP OF WAKEFIELD, MICHIGAN
March 31, 2005

Total fund equity of governmental activities	\$	385,899
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Amounts reported for governmental activities in the statement of net assets are different because:

Additions:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost of capital assets	\$ 1,485,011	
Accumulated depreciation	<u>(555,664)</u>	929,347

Reductions:

Long-term liabilities are not due and payable in the current period and therefore not reported as liabilities in the funds.

Note payable to:

Michigan Job Commission	\$ 45,000	
Michigan Strategic Fund	426,250	
Forward Wakefield	<u>77,747</u>	(548,997)

Accrued interest payable is not included as a liability in governmental activities		<u>(4,754)</u>
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Total net assets of governmental activities	\$	<u>761,495</u>
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The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

	General	Special Revenue	Capital Project	Total Governmental Funds
Revenues:				
Taxes	\$ 147,660			\$ 147,660
Licenses and permits	2,230			2,230
Federal grants	6,769			6,769
State grants	28,656			28,656
Charges for services	3,477			3,477
Interest and rents	3,975	\$ 620		4,595
Other revenues	<u>2,236</u>	<u>525</u>		<u>2,761</u>
TOTAL REVENUES	\$ 195,003	\$ 1,145	\$ 0	\$ 196,148
Expenditures:				
Current:				
Legislative	\$ 9,502			\$ 9,502
General government	69,154			69,154
Public safety	11,482			11,482
Public works	65,489			65,489
Parks and recreation	3,350			3,350
Economic development		\$ 1,079		1,079
Other	51,239			51,239
Capital outlay	15,367		\$ 5,480	20,847
Debt Service:				
Principal		187,146		187,146
Interest		<u>6,854</u>		<u>6,854</u>
TOTAL EXPENDITURES	\$ <u>225,583</u>	\$ <u>195,079</u>	\$ <u>5,480</u>	\$ <u>426,142</u>
DEFICIENCY OF REVENUES OVER EXPENDITURES	\$ (30,580)	\$ (193,934)	\$ (5,480)	\$ (229,994)
Fund balance at April 1, 2004	<u>360,313</u>	<u>231,969</u>	<u>23,611</u>	<u>615,893</u>
FUND BALANCE AT MARCH 31, 2005	\$ <u>329,733</u>	\$ <u>38,035</u>	\$ <u>18,131</u>	\$ <u>385,899</u>

The accompanying notes are an integral part of the financial statements.

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES WITH THE STATEMENT OF ACTIVITIES

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2005

Total net change in fund balances - governmental funds	\$ (229,994)
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Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or construct capital assets are reported as expenditures in governmental funds. For governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	\$ 20,847	
Depreciation expense	<u>(51,370)</u>	(30,523)

Repayment of loan principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not effect the statement of activities.

187,146

Interest on long-term liabilities in the statement of activities is recorded as an expense as the interest is incurred. In the governmental funds, interest is recorded as an expenditure in the funds when it is paid. The additional interest recorded in the statement of activities is the accrued interest amount.

(4,754)

Change in net assets of governmental activities

\$ (78,125)

The accompanying notes are an integral part of the financial statements.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS (DEFICIT) -
PROPRIETARY FUND - WATER FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

Operating revenue -			
Charges for services		\$	65,964
Operating expenses:			
Water purchases	\$	27,158	
Materials and supplies		470	
Auto expense		194	
Repairs and maintenance		5,456	
GRWA contributions		6,122	
Utilities		<u>7,274</u>	46,674
Administrative expenses:			
Salary and wages	\$	1,147	
Office supplies		34	
Professional fees		94	
Dues and fees		<u>470</u>	<u>1,745</u>
			\$ 48,419
	OPERATING INCOME	\$	17,545
Nonoperating revenue - interest			<u>240</u>
	CHANGE IN NET ASSETS	\$	17,785
Net assets (deficit) at April 1, 2004			<u>(25,535)</u>
	NET ASSETS (DEFICIT) AT MARCH 31, 2005	\$	<u>(7,750)</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF CASH FLOWS - PROPRIETARY FUND -
WATER FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

Cash flows from operating activities:		
Cash received from customers	\$	63,825
Cash paid to suppliers and employees for goods and services		<u>(49,256)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	14,569
Cash flows from noncapital financing activities - repayment of advance from other fund		(4,000)
Cash flows from investing activities - interest earned		<u>240</u>
	NET INCREASE IN CASH	\$ 10,809
Cash at April 1, 2004		<u>18,068</u>
	CASH AT MARCH 31, 2005	<u>\$ 28,877</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$	17,545
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:		
Increase in customer accounts receivable	\$	(2,139)
Increase (decrease) in:		
Accounts payable	(1,124)	
Accrued wages and payroll taxes	<u>287</u>	<u>(2,976)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$	<u>14,569</u>

The accompanying notes are an integral part of the
financial statements.

STATEMENT OF FIDUCIARY NET ASSETS - AGENCY FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2005

ASSET	
Cash in bank	<u>\$ 61,558</u>
LIABILITIES	
Due General Fund	\$ 5,161
Due State of Michigan	37,865
Due Gogebic County	11,915
Due to schools	<u>6,617</u>
	<u>\$ 61,558</u>

The accompanying notes are an integral part
of the financial statements.

NOTES
TO
FINANCIAL
STATEMENTS

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF WAKEFIELD, MICHIGAN

March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Township of Wakefield operates under an elected Board of Trustees. The financial statements of the Township have been prepared in conformity with generally accepted accounting principles as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial-reporting principles. The more significant of the Township's accounting policies are described below.

Financial Reporting Entity

In conformity with generally accepted accounting principles, other autonomously operated governmental organizations are not considered to be part of the Township financial-reporting entity. The criteria established for determining the various governmental organizations to be included as component units in the Township's financial statements include oversight responsibility, scope of public service and special financing relationships.

On this basis, the financial statements of the local school district are not included as a component unit in the financial statements of the Township. Educational services are provided to citizens through the local school district, which is a separate governmental entity.

Basis of Presentation

Government-wide Financial Statements

The Township government-wide financial statements (Statement of Net Assets and Statement of Activities) report information on all of the activities of the Township except for the fiduciary activities. The Township General Fund, Special Revenue Fund and Capital Project Fund are considered to be governmental activities and its enterprise fund a business-type activity. Interfund activity including operating transfers between activities has been eliminated in the Government-wide financial statements.

Fund-based Financial Statements

Separate financial statements are provided on the basis of funds, each of which is considered a separate fiscal and accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. Governmental, business-type and fiduciary funds are provided. The various fund types are grouped in the financial statements as major funds or nonmajor funds. The Township reports the General Fund, Special Revenue Fund and Water Fund as major funds. The Capital Project Fund is a nonmajor fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund-based Financial Statements (Continued)

Governmental Fund Types

General Fund – The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the Township. Revenues are derived primarily from property taxes, state and federal grants and various local sources.

Special Revenue Fund - is used by the Township to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. The Township has one special revenue fund which is used to account for financial resources from the lease and sale of a building the Township constructed with grant and local funding located in a renaissance zone of the Township as established by the State of Michigan.

Capital Project Fund – is used to account for financial resources to be used for a building and infrastructure improvements in the renaissance zone funded by a Community Development Block Grant through the Michigan Economic Development Corporation including the local match required.

Proprietary Fund Types

These funds account for operations that are organized to be self-supporting through user charges and include the Enterprise Fund.

Enterprise Fund – Water Fund is used to account for operations that provide water services, in a manner similar to private business enterprises, where the intent of the Township is that the expenses of providing services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Fund Types

Agency Funds - are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. These include the Trust and Agency and Tax Collection fund. These funds are custodial in nature and do not involve measurement of results of operations.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Government-wide Financial Statements

The Government-wide financial statements report all financial and capital assets, short and long-term liabilities, revenues, expenses, gains and losses using the economic resources measurement focus and the accrual basis of accounting. All revenue is recorded when earned and expenses are recorded when a liability is incurred.

The Statement of Activities reports net cost information based on the Township's functions. Direct expenses are listed by function with program revenues for each function offset against those expenses. Program revenues include charges for services that are fees and other charges to the users or recipients of the services the Township provides. Program revenues also include operating grants and contributions that are restricted for a particular purpose. Property taxes, nonrestricted state and federal aid and other revenues that are not program revenues are reported as general revenues.

Fund-based Financial Statements

Governmental fund types and Agency Funds use the modified accrual basis of accounting and the flow of expendable financial resources (measurement focus). Under the modified accrual basis of accounting, revenues are recorded when all applicable eligibility requirements are met and resources are available (often referred to as "susceptible to accrual"). Revenues are available when revenues are collectible during the period and the actual collection will occur either (a) during the current period or (b) after the end of the period but in time to pay fund liabilities. The Township considers revenues to be available if they are expected to be collected within 60 days of the end of the year, except that tax revenues, fees and nontax revenues are recognized when received. Grants, entitlements and shared revenues are recorded when they are susceptible to accrual. Expenditure-based grants are recorded as revenue when all applicable eligibility requirements of the grants are met and resources are available. Expenditures, if measurable, are recorded when they have used or are expected to use current expendable financial resources, except unmatured interest on general long-term debt is recorded when due.

Proprietary fund types use the accrual basis of accounting and the flow of all economic resources (measurement focus). This basis of accounting and measurement focus emphasizes the measurement of net income similar to the approach used by commercial enterprises; revenues are recorded when earned and expenses are recorded when incurred. Under this basis of accounting and measurement focus, the Township applies (a) all GASB pronouncements and (b) FASB Statements and Interpretations, APB Opinions and Accounts Research Bulletins issued on or before November 30, 1989, except those that conflict with a GASB pronouncement.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and the Budgetary Process

The Township Board adopts an annual operating budget, which can be amended by the Board throughout the year. Formal budgetary accounting is employed as a management control for all funds of the Township. Legal budgets are adopted for the General Fund and Special Revenue Fund. The budgets are adopted on the same basis of accounting as is used to reflect actual revenues and expenditures.

At the fund level, actual expenditures cannot exceed budgeted appropriations; however, with proper approval by the Township Board, budgetary transfers between departments can be made. The budgeted financial statements represented in this report reflect the final budget authorization and all budget amendments approved by the Board during the year. Budgets are adopted on the functional level and lapse at the end of the year.

Investments

Investments include certificates of deposit in local financial institutions with maturity dates greater than 90 days and are stated at fair market value, which is equal to cost.

Receivables

Credit is extended to customers of the Water Fund. All receivables are reported at their gross values. No allowance for uncollectible accounts is included in the financial statements as uncollectible accounts are nominal.

Due To and Due From Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Investment in Capital Assets, Net of Related Debt

This is a portion of net assets of the Township that consists of capital assets, net of accumulated depreciation and reduced by long-term liabilities for notes, bonds and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted Net Assets

Net assets are restricted when there are constraints placed on their use by external parties or by statute. The Township had no restricted net assets at March 31, 2005.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unrestricted Net Assets

Net assets not meeting either criteria above are considered unrestricted.

Capital Assets and Depreciation

Capital assets include land and improvements, buildings, furniture and fixtures, equipment, and infrastructure assets and are reported in the Government-wide financial statements. Capital assets are defined by the Township as assets with an acquisition cost of generally more than \$5,000 or betterments totaling \$10,000 with an estimated useful life in excess of five years. Assets meeting this criteria are recorded at historical cost or estimated historical costs if the amount is not known. Any donated capital assets are recorded at estimated fair market value at the date of donation. The costs of capital assets are charged to expense using an annual allocation of depreciation expense. Taking the depreciable cost of an asset and dividing that cost by its estimated useful life calculates the annual expense. The expense is recorded on the Government-wide Statement of Activities and included as a direct expense of an identifiable function if the assets sole purpose can be identified as being for that function. Depreciation expense (unallocated) is the amount of depreciation expense that cannot be charged to any particular function.

The capital assets are depreciated using the straight-line method over the following useful lives:

Land	Not depreciated
Buildings and improvements	30-50 years
Office furniture, fixtures and equipment	5-20 years
Infrastructure	20-50 years

Long-Term Liabilities

The Township reports the financing proceeds of infrastructure improvements as provided by the Community Development Block Grant program through the State of Michigan and a loan payable to a non-profit corporation in the government-wide financial statements as liabilities of the governmental activities.

Fund Equity

The unreserved fund equity for governmental funds represent the amount available for budgeting future operations. The reserved fund equity for governmental funds represents amounts reserved for specific purposes.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property Tax Revenues

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 of the ensuing year with the final collection date of February 28 before they are added to the delinquent rolls. The Township records property taxes as revenue as collections are made; when monies are available for use to finance Township operations. Delinquent real property taxes of the Township and all other local units are purchased annually by the County.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounting Change

Effective April 1, 2004, the Township implemented the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB No. 34), as amended and interpreted. Significant changes to the Township's financial statements as a result of GASB No. 34 are as follows:

Management Discussion and Analysis – provides analysis of the Township's overall financial position and results of operations as reported by the Township's management.

Government-wide financial statements – Statement of Net Assets and Statement of Activities are prepared using the full accrual basis of accounting that includes all of the Township's activities.

Capital assets – recorded in the governmental activities statement of net assets at March 31, 2005 are capital assets of \$1,485,011 along with \$555,664 of accumulated depreciation. The March 31, 2004 financial statements reported fixed assets in the General Fixed Assets Account Group (GFAAG) that has been eliminated for reporting purposes. An increase of \$721,939 has been recorded to the historical cost of the GFAAG as stated at March 31, 2004, along with an increase of \$504,294 to the accumulated depreciation. This change was required due to Township officials completing an inventory and assigning costs for all assets meeting the approved capitalization policy.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting Change (Continued)

Long-term liabilities – recorded in the governmental activities statement of net assets are loans payable not required to be paid until one year from March 31, 2005. These were previously reported by the Township in the General Long-term Debt Account Group (GLTDAG) that has been eliminated for reporting purposes. A decrease of \$116,346 has been recorded to the April 1, 2004 beginning long-term liabilities. Updated information regarding a loan payable to the State of Michigan and a loan payable to a non-profit corporation was received that required the change.

Major and Nonmajor funds – fund-based financial statements focus on major funds rather than fund-types. Major funds are determined based on the comparison of activity of individual governmental funds to total governmental fund activity.

NOTE B - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Public Act 621 of 1978 Disclosures

Public Act 621 of 1978 requires local units of government to prepare and to monitor their fiscal year budgets in accordance therewith. The Act provides that a Township must amend its budget if it becomes apparent that the Township's actual revenues will deviate from those budgeted, or if the Township's expenditures will exceed the amounts appropriated. During the year ended March 31, 2005, the Township monitored and amended its budget and was in substantial compliance with the Act except for the following:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Special Revenue Fund - total revenues	\$ 293,150	\$ 1,145	\$ 292,005
Special Revenue Fund - debt service expenditures	45,000	194,000	149,000

Public Act 275 of 1980 Disclosure

The Enterprise Fund-Water Fund had a net assets deficit of \$7,750 as of March 31, 2005. There were no deficits in any of the Township's other funds at March 31, 2005.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE C - CASH

All deposits were made either in banks insured by federal depository insurance or in a local credit union insured by the national credit union administration. Deposits were made in accordance with State of Michigan statutes and under authorization of the Township Board.

At March 31, 2005, total cash as reported by banks and credit union amounted to \$276,422. \$226,715 was covered by depository insurance, and \$49,707 exceeded coverage limits.

NOTE D - ACCOUNTS RECEIVABLE

General Fund accounts receivable at March 31, 2005 consisted of a receivable from Gogebic Range Water Authority of \$23,000 and a UP Link mini-grant of \$250.

The \$23,000 receivable from the Gogebic Range Water Authority is for the payment by the General Fund of preliminary engineering costs for a water system improvement project. Funds for the project will be reimbursed to the Township General Fund once funding and construction begin.

Proprietary fund accounts receivable at March 31, 2005, consisted of customer accounts receivable.

NOTE E - PROPERTY TAXES

One taxpayer accounts for approximately 39 percent of the assessed valuation and tax levy of the Township.

Costs incurred for administrative costs in assessing and collecting property taxes exceeded receipts from charging the property tax administrative fee.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE E - PROPERTY TAXES (CONTINUED)

A summary of the 2004 tax roll follows:

	<u>Mills</u>	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collections</u>
Intermediate School District	3.3692	\$ 88,414	\$ 2,024	\$ 86,390
County	10.7787	282,843	14,313	268,530
State Education Tax	6.0000	157,457	3,605	153,852
School	20.6200	447,474	6,992	440,482
Township	<u>4.5050</u>	<u>118,222</u>	<u>6,300</u>	<u>111,922</u>
TOTALS	<u>45.2729</u>	<u>\$ 1,094,410</u>	<u>\$ 33,234</u>	<u>\$ 1,061,176</u>
Taxable valuation:				
Homestead				\$ 5,242,665
Non-homestead				<u>21,457,660</u>
				<u>\$ 26,700,325</u>

NOTE F - CAPITAL ASSETS

Following is a summary of changes in capital assets during the year ended March 31, 2005:

	<u>Balance at April 1, 2004</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance at March 31, 2005</u>
<u>Governmental Activities</u>				
Assets:				
Land	\$ 213,620			\$ 213,620
Buildings and improvements	1,226,250	\$ 17,370		1,243,620
Office furniture, fixtures and equipment	<u>24,294</u>	<u>3,477</u>		<u>27,771</u>
	\$1,464,164	\$ 20,847	\$ 0	1,485,011
Less accumulated depreciation	<u>504,294</u>	<u>51,370</u>		<u>555,664</u>
Net	\$ 959,870	\$ (30,523)	\$ 0	\$ 929,347
<u>Business-type Activities</u>				
Water Fund:				
Water distribution system	\$ 689,000			\$ 689,000
Less accumulated depreciation	<u>689,000</u>			<u>689,000</u>
Net	\$ 0	\$ 0	\$ 0	\$ 0
TOTAL GOVERNMENT	<u>\$ 959,870</u>	<u>\$ (30,523)</u>	<u>\$ 0</u>	<u>\$ 929,347</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE G – LONG-TERM LIABILITIES

The loan from Michigan Job Commission, Community Development Block Grant (CDBG) funds, dated June 1998 for infrastructure improvements and building in a Renaissance Zone Industrial Park, bears an interest rate of five percent and requires payments beginning in September of 2005. The loan period is 20 years. No schedule of required payments has been received from the State of Michigan.

The loan from Michigan Strategic Fund, CDBG Funds, dated August 2002 for additional infrastructure improvements and building in a Renaissance Zone Industrial Park, bears an interest rate of zero percent and requires no payments for first two years. Up to 100% of the loan may be forgiven at the rate of \$10,000 per job created. The loan period is ten years. The term of the project is from August 1, 2002 to July 31, 2007.

The loan from Forward Wakefield, dated January 2003 to provide local matching dollars for the latest Renaissance Zone Industrial Park building, bears an interest rate of 6.9% and requires annual payments of principal and interest totaling \$41,082 beginning December 1, 2003 with final payment scheduled for December 1, 2012. A principal payment of \$187,146 and interest payment of \$6,854 were made on this loan during the year ended March 31, 2005.

The Township commitments under these loans are further explained in Note M to the financial statements. Because the Township is unsure of the payment requirements on the CDBG loans, a 5-year schedule of debt payments to maturity is not presented.

Following is a summary of changes in long-term liabilities during the year ended March 31, 2005:

	Balance at April 1, <u>2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance at March 31, <u>2005</u>
General Long Term Debt: (see Note M)				
Loan from Michigan Job Commission	\$ 45,000			\$ 45,000
Loan from Michigan Strategic Fund	426,250			426,250
Loan from Forward Wakefield	<u>264,893</u>		<u>\$ 187,146</u>	<u>77,747</u>
	<u>\$ 736,143</u>	<u>\$ 0</u>	<u>\$ 187,146</u>	<u>\$ 548,997</u>

No portions of the long-term liabilities are recorded as current liabilities in the statement of net assets. All future principal and interest payments will be made by the General Fund.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE H - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables at March 31, 2005, were as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$ 57,161	Tax Collection	\$ 5,076
		Trust and Agency	85
		Water Fund	<u>52,000</u>
	<u>\$ 57,161</u>		<u>\$ 57,161</u>

NOTE I - FUND BALANCE RESERVES AND DESIGNATIONS

The General Fund, fund balance at March 31, 2005, included a reserve for prepaid expenses of \$4,404 and a long-term receivable from the Water Fund of \$52,000.

The Board has designated \$135,000 of General Fund, fund balance to be used for future economic development or debt service.

The Capital Project Fund, fund balance included a reserve of \$18,131 to be used for final construction costs related to the building being constructed in a Renaissance Zone Industrial Park.

NOTE J - STATE CONSTRUCTION CODE ACT INFORMATION

During the year ended March 31, 2005, the Township collected construction code service fees of \$2,230 and spent \$2,795 for enforcing the code. Because the fee structure is not intended to recover the full cost of enforcement and the Township has the ability to track the full costs and revenues, a separate fund has not been created to account for these monies.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE K - SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township has one enterprise fund which provides a water supply system to a portion of the Township's residential and commercial customers. Segment information not reported on in the financial statements for the year ended March 31, 2005, follows:

	<u>Water Supply</u>
Restricted donations and operating grants	\$ 0
Operating transfers in (out)	0
Tax revenues	0
Current capital contributions	0
Utility plant:	
Additions	0
Deletions	0
Net working capital (deficit)	(7,750)
Long-term debt - payable from operating revenues (including portion payable within one year)	0

NOTE L - RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$1,000,000 per occurrence and a \$3,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund and Enterprise Fund of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the financial statements contain no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three years.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – COMMITMENTS

1998 Agreement

On June 1, 1998, the Township and Gogebic County entered into a \$450,000 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 50 percent of the monies needed to develop property (the project) in a State designated Renaissance Zone in the Township. The agreement was initially funded with a \$450,000 Community Development Block Grant administered by the Michigan Jobs Commission. The remaining 50 percent was provided by the Lac Vieux Desert Band of Chippewa Indians.

The State will offset monies it advanced under the agreement via application of a formula that provides for a \$20,000 reduction for each qualifying new job created. Any shortfall became a liability of both the Township and Gogebic County on May 31, 2005. A repayment schedule has not been determined by the State at this time. The Township and Gogebic County have each pledged all payments they are eligible to receive under 1971 PA 140 as collateral for any monies not offset by new job creation. The Township has recorded a long-term liability to the State of \$45,000 (10% of the total amount) for their share of the debt. The Township has committed to reimbursing the County for any County liability incurred.

2002 Agreement

On August 1, 2002, the Township entered into a \$426,250 economic development financing agreement (the agreement) with the State of Michigan. The agreement provided 100% of the monies needed to design, develop, improve and install infrastructure in a State designated Renaissance Zone in the Township. The agreement was funded with a \$426,250 Community Development Block Grant administered by Michigan Strategic Fund.

The State will offset any monies it advances under the agreement via application of a formula that provides for a \$10,000 reduction for up to 100% of the advances for each qualifying new job created. Any shortfall will become a liability of the Township at July 31, 2007, which is the end of the project.

A repayment schedule will be determined by the State at that time if necessary. The Township has pledged all payments that are eligible under 1971 PA 140 as collateral for any monies not offset by new job creation.

The Township has recorded the full amount of advances of \$426,250 as a long-term liability.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

NOTE M – COMMITMENTS (CONTINUED)

Loan Payable to Forward Wakefield

The Township allowed their agent, Forward Wakefield (a nonprofit Michigan corporation) to secure the permanent financing of an industrial building construction loan (dated January 22, 2003) in the amount of \$291,239 to provide local dollars to match the latest project undertaken. The building is pledged as collateral for the loan. The Township has committed to relieving the debt although no formal written agreement exists between the Township and Forward Wakefield. The amount is recorded as a long-term liability with a balance of \$77,747 at March 31, 2005.

Gogebic Range Solid Waste Management Authority

The Township has entered into a contract with the Gogebic Range Solid Waste Management Authority and the City of Wakefield, whereby the Township has agreed to pay 4.3% of the principal and interest due on \$100,000 of debt outstanding as of June 30, 2002. The principal payments are payable as follows:

2002 through 2005, inclusive	\$10,000
2006 through 2009, inclusive	\$15,000

An actual amortization schedule was unavailable for disclosure purposes. The Authority has applied for and was approved for a loan amount of \$476,000 through USDA-RDA. The loan proceeds will be used to retire the outstanding debt plus fund facility and equipment improvements. The Township has pledged its limited tax full faith and credit for prompt and timely payment of its share of obligation outstanding (not less than 4.3% nor more than 4.6%).

It is anticipated that the Authority will establish rates to meet their current and future operation and debt retirement expenditures. The Township has not participated in the past ten years in meeting the Authority obligations.

NOTE N – TAX TRIBUNAL CASES

The Township is involved in various pending Michigan Tax Tribunal cases. These cases are being held in abeyance and the state tax commission has been added as a party respondent. Currently, the Township cannot make an evaluation regarding the likelihood of an unfavorable outcome or an estimate of the amount of potential loss.

REQUIRED
SUPPLEMENTAL
INFORMATION

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

	Original Budget	Final Budget	Actual
Revenues:			
Taxes	\$ 132,300	\$ 132,300	\$ 147,660
Licenses and permits	1,050	1,050	2,230
Federal grants	10,500	10,500	6,769
State grants	26,650	26,650	28,656
Charges for services	3,500	3,500	3,477
Interest and rents	5,250	5,250	3,975
Other revenues	<u>8,250</u>	<u>8,250</u>	<u>2,236</u>
TOTAL REVENUES	\$ 187,500	\$ 187,500	\$ 195,003
Expenditures:			
Current:			
Legislative	\$ 9,013	\$ 11,013	\$ 9,502
General government	72,637	73,637	69,154
Public safety	18,000	18,000	11,482
Public works	88,100	85,100	65,489
Parks and recreation	3,350	3,350	3,350
Other functions	45,400	45,400	51,239
Capital outlay	<u>15,000</u>	<u>15,000</u>	<u>15,367</u>
TOTAL EXPENDITURES	\$ 251,500	\$ 251,500	\$ 225,583
(DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (64,000)	\$ (64,000)	\$ (30,580)
Fund balance at April 1, 2004	<u>360,313</u>	<u>360,313</u>	<u>360,313</u>
FUND BALANCE AT MARCH 31, 2005	<u>\$ 296,313</u>	<u>\$ 296,313</u>	<u>\$ 329,733</u>

The accompanying notes are an integral part of the financial statements.

BUDGETARY COMPARISON SCHEDULE - SPECIAL REVENUE FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

	Original Budget	Final Budget	Actual
Revenues:			
Interest and rents	\$ 48,150	\$ 48,150	\$ 620
Other revenues	<u>245,000</u>	<u>245,000</u>	<u>525</u>
TOTAL REVENUES	\$ 293,150	\$ 293,150	\$ 1,145
Expenditures:			
Current - economic development	\$ 148,150	\$ 148,150	\$ 1,079
Capital outlay	100,000	100,000	
Debt service:			
Principal	45,000	45,000	187,146
Interest	<u></u>	<u></u>	<u>6,854</u>
TOTAL EXPENDITURES	\$ <u>293,150</u>	\$ <u>293,150</u>	\$ <u>195,079</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 0	\$ 0	\$ (193,934)
Fund balance at April 1, 2004	<u>231,969</u>	<u>231,969</u>	<u>231,969</u>
FUND BALANCE AT MARCH 31, 2005	\$ <u>231,969</u>	\$ <u>231,969</u>	\$ <u>38,035</u>

The accompanying notes are an integral part of the
financial statements.

OTHER
FINANCIAL
INFORMATION

STATEMENT OF REVENUES - ESTIMATED AND ACTUAL - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

	Estimated Revenue	Actual Revenue	Variance Favorable (Unfavorable)
Taxes:			
Current property taxes	\$ 105,000	\$ 118,222	\$ 13,222
Delinquent property taxes	6,000	5,964	(36)
Payment in lieu of tax	1,000		(1,000)
Commercial forest reserve	8,000	10,429	2,429
Swamp tax	1,500	2,087	587
Property tax administrative fee	<u>10,800</u>	<u>10,958</u>	<u>158</u>
	\$ 132,300	\$ 147,660	\$ 15,360
Licenses and permits	1,050	2,230	1,180
Federal grant - National Forest	10,500	6,769	(3,731)
State grants:			
State revenue sharing	\$ 26,000	\$ 25,404	\$ (596)
UP Link mini-grant		1,000	1,000
Metro Authority - P.A. 48 of 2002	<u>650</u>	<u>2,252</u>	<u>1,602</u>
	\$ 26,650	\$ 28,656	\$ 2,006
Charges for services - summer tax collection	3,500	3,477	(23)
Interest and rents:			
Interest earned	\$ 5,175	\$ 3,975	\$ (1,200)
Rents	<u>75</u>		<u>(75)</u>
	\$ 5,250	\$ 3,975	\$ (1,275)
Other revenues:			
Reimbursements	\$ 4,250	\$ 2,166	\$ (2,084)
Miscellaneous	<u>4,000</u>	<u>70</u>	<u>(3,930)</u>
	\$ 8,250	\$ 2,236	\$ (6,014)
TOTAL REVENUES	<u>\$ 187,500</u>	<u>\$ 195,003</u>	<u>\$ 7,503</u>

The accompanying notes are an integral part of the financial statements.

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET - GENERAL FUND

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
LEGISLATIVE			
Township Board:			
Salaries	\$ 4,463	\$ 3,463	\$ 1,000
Per diem	2,500	2,048	452
Office supplies	200	199	1
Auto expense	350	280	70
Printing and publications	200	778	(578)
Miscellaneous	300	117	183
Dues and memberships	1,000	663	337
Contributions	<u>2,000</u>	<u>1,954</u>	<u>46</u>
TOTAL LEGISLATIVE	\$ 11,013	\$ 9,502	\$ 1,511
GENERAL GOVERNMENT			
Supervisor:			
Salary	\$ 7,494	\$ 7,494	
Per diem	200	320	\$ (120)
Office supplies	50	63	(13)
Auto expense	1,775	1,693	82
Miscellaneous	<u>50</u>	<u>10</u>	<u>40</u>
	\$ 9,569	\$ 9,580	\$ (11)
Election:			
Salaries	\$ 1,000	\$ 972	\$ 28
Office supplies	100		100
Auto expense	100	11	89
Printing and publications	200		200
Miscellaneous	<u>200</u>	<u>136</u>	<u>64</u>
	\$ 1,600	\$ 1,119	\$ 481
Attorney - contracted services	1,000	603	397
Assessor:			
Office supplies	\$ 600	\$ 500	\$ 100
Contracted services	<u>7,769</u>	<u>7,769</u>	
	\$ 8,369	\$ 8,269	\$ 100

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Clerk:			
Salary	\$ 9,682	\$ 9,682	
Per diem	500	560	\$ (60)
Deputy salary	500	448	52
Office supplies	1,000	1,062	(62)
Professional fees	3,300	3,000	300
Auto expense	1,775	1,923	(148)
Education	1,000	742	258
Miscellaneous	<u>100</u>	<u>50</u>	<u>50</u>
	\$ 17,857	\$ 17,467	\$ 390
Board of review:			
Salaries	\$ 1,425	\$ 905	\$ 520
Office supplies	50		50
Auto expense	50		50
Education	100		100
Miscellaneous	<u>100</u>	<u>24</u>	<u>76</u>
	\$ 1,725	\$ 929	\$ 796
Treasurer:			
Salaries	\$ 9,682	\$ 9,682	
Per diem	500	400	\$ 100
Deputy salary	500		500
Office supplies	1,000	1,976	(976)
Auto expense	1,800	1,941	(141)
Printing and publishing	2,500	2,085	415
Insurance	450	351	99
Education	1,000	1,217	(217)
Miscellaneous	<u>100</u>	<u>45</u>	<u>55</u>
	\$ 17,532	\$ 17,697	\$ (165)
Town hall and property:			
Salaries	\$ 1,800	\$ 1,800	
Per diem	400	220	\$ 180
Supplies	100	350	(250)
Auto expense	20		20
Heating fuel	5,850	4,299	1,551
Contracted services	1,000	915	85
Public utilities	1,300	1,217	83
Repairs and maintenance	1,000	414	586
Miscellaneous	<u>390</u>	<u>150</u>	<u>240</u>
	\$ 11,860	\$ 9,365	\$ 2,495

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
GENERAL GOVERNMENT (CONTINUED)			
Cemetery - contracted services	<u>4,125</u>	<u>4,125</u>	
TOTAL GENERAL GOVERNMENT	\$ 73,637	\$ 69,154	\$ 4,483
PUBLIC SAFETY			
Fire protection - contracted services	\$ 6,700	\$ 6,700	
Zoning board:			
Salaries	\$ 500		\$ 500
Supplies	850	\$ 89	761
Contracted services:			
Administrative	6,000	1,738	4,262
Inspections	2,500	1,456	1,044
Auto expense	350	727	(377)
Printing and publishing	150		150
Miscellaneous	150		150
Education	<u>800</u>	<u>772</u>	<u>28</u>
	<u>\$ 11,300</u>	<u>\$ 4,782</u>	<u>\$ 6,518</u>
TOTAL PUBLIC SAFETY	\$ 18,000	\$ 11,482	\$ 6,518
PUBLIC WORKS			
Highways and streets - construction and maintenance	\$ 38,600	\$ 23,732	\$ 14,868
Street lighting	17,500	13,820	3,680
Solid waste collections:			
Supplies	\$ 4,000	\$ 6,408	\$ (2,408)
Contracted services	<u>25,000</u>	<u>21,529</u>	<u>3,471</u>
	<u>\$ 29,000</u>	<u>\$ 27,937</u>	<u>\$ 1,063</u>
TOTAL PUBLIC WORKS	\$ 85,100	\$ 65,489	\$ 19,611
PARKS AND RECREATION			
Parks - contracted services	\$ 1,290	\$ 1,290	
Library - contracted services	<u>2,060</u>	<u>2,060</u>	
TOTAL PARKS AND RECREATION	\$ 3,350	\$ 3,350	\$ 0

STATEMENT OF EXPENDITURES AND COMPARISON WITH BUDGET -
GENERAL FUND (CONTINUED)

	<u>Expenditures</u>		Variance
	Budget	Actual	Favorable (Unfavorable)
OTHER FUNCTIONS			
Veterans council	\$ 300	\$ 225	\$ 75
Insurance	41,000	47,583	(6,583)
Payroll taxes	<u>4,100</u>	<u>3,431</u>	<u>669</u>
TOTAL OTHER FUNCTIONS	\$ 45,400	\$ 51,239	\$ (5,839)
CAPITAL OUTLAY	<u>15,000</u>	<u>15,367</u>	<u>(367)</u>
TOTAL EXPENDITURES	<u>\$ 251,500</u>	<u>\$ 225,583</u>	<u>\$ 25,917</u>

The accompanying notes are an integral part of the
financial statements.

COMBINING BALANCE SHEETS - FIDUCIARY FUNDS

TOWNSHIP OF WAKEFIELD, MICHIGAN

Year ended March 31, 2005

	Trust and Agency Fund	Tax Collection Fund	Totals
ASSETS			
Cash	\$ 367	\$ 61,191	\$ 61,558
LIABILITIES			
Liabilities:			
Due General Fund	\$ 85	\$ 5,076	\$ 5,161
Due State of Michigan	282	37,583	37,865
Due Gogebic County		11,915	11,915
Due to schools		6,617	6,617
	\$ 367	\$ 61,191	\$ 61,558

The accompanying notes are an integral part of the
financial statements

STATEMENT OF CHANGES IN ASSETS

TOWNSHIP OF

Year ended

	Trust and Agency			
	Balance at April 1, 2004	Additions	Deductions	Balance at March 31, 2005
ASSETS				
Cash	\$ 353	\$ 11,817	\$ 11,803	\$ 367
LIABILITIES				
Liabilities:				
Due General Fund	\$ 21	\$ 64		\$ 85
Due Federal government		8,865	\$ 8,865	
Due State of Michigan	332	2,888	2,938	282
Due Gogebic County				
Due to schools				
Due to others				
	\$ 353	\$ 11,817	\$ 11,803	\$ 367

The accompanying notes are an integral part of the financial statements.

AND LIABILITIES - FIDUCIARY FUNDS

WAKEFIELD, MICHIGAN

March 31, 2005

Tax Collection Fund			
Balance at April 1, 2004	Additions	Deductions	Balance at March 31, 2005
<u>\$ 71,721</u>	<u>\$ 1,273,452</u>	<u>\$ 1,283,982</u>	<u>\$ 61,191</u>
\$ 5,728	\$ 185,671	\$ 186,323	\$ 5,076
43,531	38,705	44,653	37,583
14,509	511,746	514,340	11,915
7,953	526,594	527,930	6,617
<u> </u>	<u>10,736</u>	<u>10,736</u>	<u> </u>
<u>\$ 71,721</u>	<u>\$ 1,273,452</u>	<u>\$ 1,283,982</u>	<u>\$ 61,191</u>

SUPPLEMENTAL
REPORTS

JOKI, MAKELA & POLLACK, P.L.L.C.

**CERTIFIED PUBLIC ACCOUNTANTS
301 N. SUFFOLK STREET
IRONWOOD, MICHIGAN 49938-2027**

**T. J. MAKELA, C.P.A.
W. J. JOKI, C.P.A.
A. R. POLLACK, C.P.A., C.S.E.P.
MEMBERS**

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Supervisor and Members of the Board
Township of Wakefield
Wakefield, Michigan

We have audited the financial statements of the government activities, the business-type activities and each major fund and the aggregate remaining fund information of Township of Wakefield and its fund financial statements as of and for the year ended March 31, 2005, which collectively comprises the Township of Wakefield's basic financial statements and have issued our report thereon dated July 20, 2005. The Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of March 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Township of Wakefield's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Township of Wakefield's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Schedule of Findings as items 05-1, 05-2 and 05-3.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be

material weaknesses. However, we believe none of the reportable conditions described in the Schedule of Findings to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Township of Wakefield's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Township Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Joki, Makela & Pollack, PLLC

Certified Public Accountants

Ironwood, Michigan
July 20, 2005

SCHEDULE OF FINDINGS

TOWNSHIP OF WAKEFIELD

Year ended March 31, 2005

Reportable Condition:

(05-1) Michigan Public Act 621 of 1978

Public Act 621 of 1978 provides that a local unit shall amend its budget when it becomes apparent that actual revenues will be less than anticipated revenues or that actual expenditures will be more than budgeted expenditures. During the year ended March 31, 2005, we noted that the Township received \$292,005 less total revenues than were budgeted for the Special Revenue Fund and paid \$149,000 more than was budgeted for debt service.

We recommend the Township review the requirements of Michigan Public Act 621 of 1978 and amend its budget in accordance therewith in the future.

Township officials have agreed to do so.

(05-2) Michigan Public Act 275 of 1980

Michigan Public Act 275 of 1980 provides that a local unit shall not incur a deficit. The Proprietary Fund – Water Fund had a net assets deficit at March 31, 2005 of \$7,750.

We recommend the Township correspond with the State of Michigan regarding revising the deficit elimination plan submitted in prior years.

Township officials have agreed to do so.

(05-3) Uniform Chart of Accounts for Counties and Local Units of Government in Michigan

Local units of governments, which include Townships, are required to have a general ledger accounting system that corresponds to the Uniform Chart of Accounts for Counties and Local Units of Government in Michigan. Several of the Township's general ledger accounts are not in compliance therewith.

We recommend the Township obtain the Uniform Chart of Accounts from the State of Michigan and update the general ledger system accordingly.

Township officials have agreed to do so.